

2001 Economic Report to the Governor – Travel, Tourism & Recreation

Overview

Utah's tourism industry is diverse. The state's many attractions carry significant benefits for local communities, which are able to enjoy increased tax revenues from visitor spending, additional access to higher quality and more diverse services and many jobs stemming from tourism-related industries. Travel and tourism continues to be among the state's top five economic activities, along with other major sectors such as manufacturing, trade, services and government.

2000 Performance – A Roller Coaster Year

It has been a wild ride for Utah's tourism and travel industry in 2000. Beginning with marginal snowfall and concerns over potential Y2K problems, the year started slow and was further impacted by external factors such as rising energy prices, a strong dollar, concerns over inflation, rising interest rates, high summer temperatures, drought conditions, western fires, uncertainty in the stock market, election-year anticipation, airline labor disputes and an excess capacity of hotel rooms. On the other hand, continued growth in the U.S. economy, real income gains highlighted by positive wage growth, strong consumer confidence and record-breaking numbers of travelers nationwide spurred the industry forward. On the whole, consumer optimism and robust spending should help offset the negative effects of external shocks on the industry.

Tourism arrivals to Utah decreased in 2000 for the first time in several years. Visitation declined at both national and state parks. Skier days were down nearly 5% over the 1998/99 season. Passenger counts at Salt Lake City International Airport and visitation to Utah's Welcome Centers remained largely unchanged for the year. Vehicle traffic along Utah's major highways and Interstates registered positive growth, although slower than in recent years. During 2000, an estimated 17.8 million non-resident visitors traveled to Utah for leisure and/or business purposes, a 2% decrease from 1999.

Although the number of tourist arrivals to Utah declined, visitor spending actually increased by 1%.¹ Travelers spent an estimated \$4.25 billion in Utah in 2000, generating nearly \$340 million in state and local tax revenues and creating 121,500 travel and tourism related jobs. Travel related jobs account for nearly one in nine jobs statewide. Over the past few years, growth in traveler spending has increased more rapidly than growth in visitor arrivals, indicating a possible shift towards higher quality tourism earnings.

Notable Events in 2000

Utah Heritage Highway. The Utah Heritage Highway is Utah's first tourist route dedicated solely to offering guests a quality Western heritage experience. The Highway runs parallel to Interstate 15 from Fairview to Kanab along U.S. Highway 89. The Highway is divided into five sections (Little Denmark, Sevier Valley, Headwaters, Under the Rim and Boulder Loop) that each offer a unique combination of art galleries and artisan studios,

heritage lodging, western adventures, historic sites, celebrations, antiques and indigenous foods.

National Park Shuttle Systems. In Spring of 2000, in order to return serenity to Zion Canyon, ease auto congestion and increase visitor access, a new transportation system began operating in Zion National Park. The "two-loop" shuttle system was mandatory for all visitors through the 6-mile Zion Canyon and operated through the peak season from April through October. During 2000, the shuttle system reported over 1.5 million boardings and a satisfaction rate of above 85%. Bryce Canyon National Park also instituted an optional shuttle system beginning in 2000 concentrated on relieving congestion along the Park's northern viewpoints. The shuttle system operated during peak season from May through September.

2001 Outlook – Guarded Optimism for a Record Year

The economic fundamentals, including forecasted real GDP growth, wage increases, controlled inflation and low unemployment bode well for tourism's future prospects. The health and resiliency of the travel and tourism industry was reflected in last year's performance. Despite significant external shocks, the tourism industry continued to grow, even outpacing the performance of other industries within the state. Expectations for 2001 are high as indicators point to a record year for tourism in Utah. Some of the factors for positive growth include:

- Completion of Olympic venues and subsequent hosting of test events in preparation for 2002
- Increased media attention related to preparations for and hosting of the 2002 Winter Olympics
- Significant progress and completion of major infrastructure projects such as I-15, TRAX and ski resort improvements
- Moderating energy prices
- More favorable exchange rates
- Improving international economies, notably in Western Europe and Japan
- Growth in Utah's core market segments, including adventure travel, "back-to-nature" tourism and family travel
- Continued interest in the American West, including western heritage, Native American heritage and other historic and pre-historic sites
- Continued growth of the LDS Church with the addition of the Conference Center and the Main Street Plaza to church headquarter buildings and other church-related sites
- Increased convention space and an excess capacity of hotel rooms, especially in the Salt Lake market

Some factors that may offset tourism growth include the following:

- Perceptions that Utah is "closed for business," "under construction" or "very expensive" due to Olympic preparations
- A national or regional economic slowdown that is accompanied by lower consumer confidence and less consumer spending

¹ Estimates for traveler spending in 2000 will largely depend on the performance of the fourth quarter. Early snowfall and a good opening bode well for the ski industry and should help traveler spending finish the year positive. However, a weak holiday season would likely produce spending levels below 1999 levels.

- through the Olympic year, after which Olympic publicity and attention seems to have generated increases in tourism activity. For Utah, an opportunity exists to promote visitation to non-Olympic locations and thereby fill existing capacity that might otherwise remain empty. Focused promotional and marketing efforts may mitigate the displacement effect of hosting the Games and increase their overall economic impact.

Major tourism indicators point toward modest growth in tourism spending in 2000 with higher expectations for 2001. Years of strong economic growth and buoyant consumer confidence have translated into significant gains from tourism-related industries. Sensitive to changes in macroeconomic conditions, tourism growth has slowed as growth in the overall economy has also decelerated. Despite this slowdown, tourism in Utah is expected to grow considerably in the next five years as awareness of the state increases due to the 2002 Olympic Winter Games.

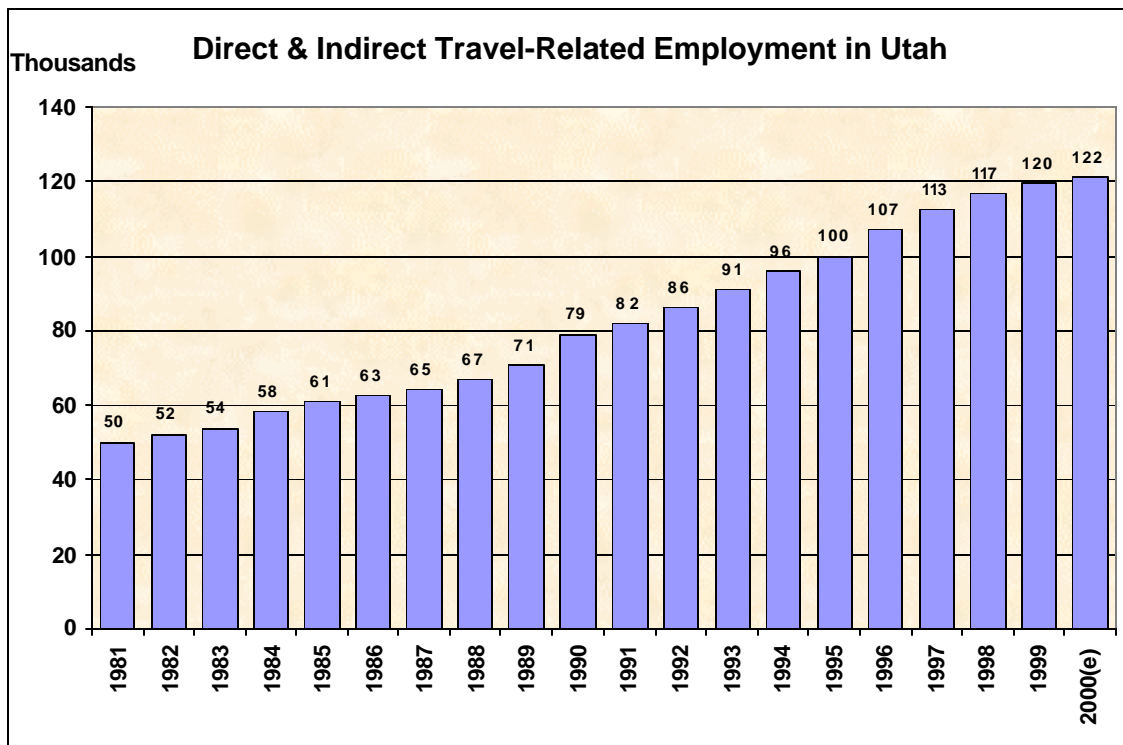
Capital investments in ski resorts, hotel construction and infrastructure development bode well for the future. National trends highlight opportunities in key segments of the travel market including adventure travel, cultural and heritage tourism, nature-based travel and family travel. Utah is well positioned to attract visitors seeking a higher quality, more unique experience. However, continued investment in focused marketing and promotion efforts is essential to transforming the attention and image awareness generated by the Olympics into significant economic gains. Long-range tourism planning and community input must be part of a balanced economic development strategy in order to capture significant, long-lasting benefits from travel and tourism.

*“2002 Olympic Winter Games – Economic, Demographic and Fiscal Impacts”
Governor’s Office of Planning & Budget, November 2000

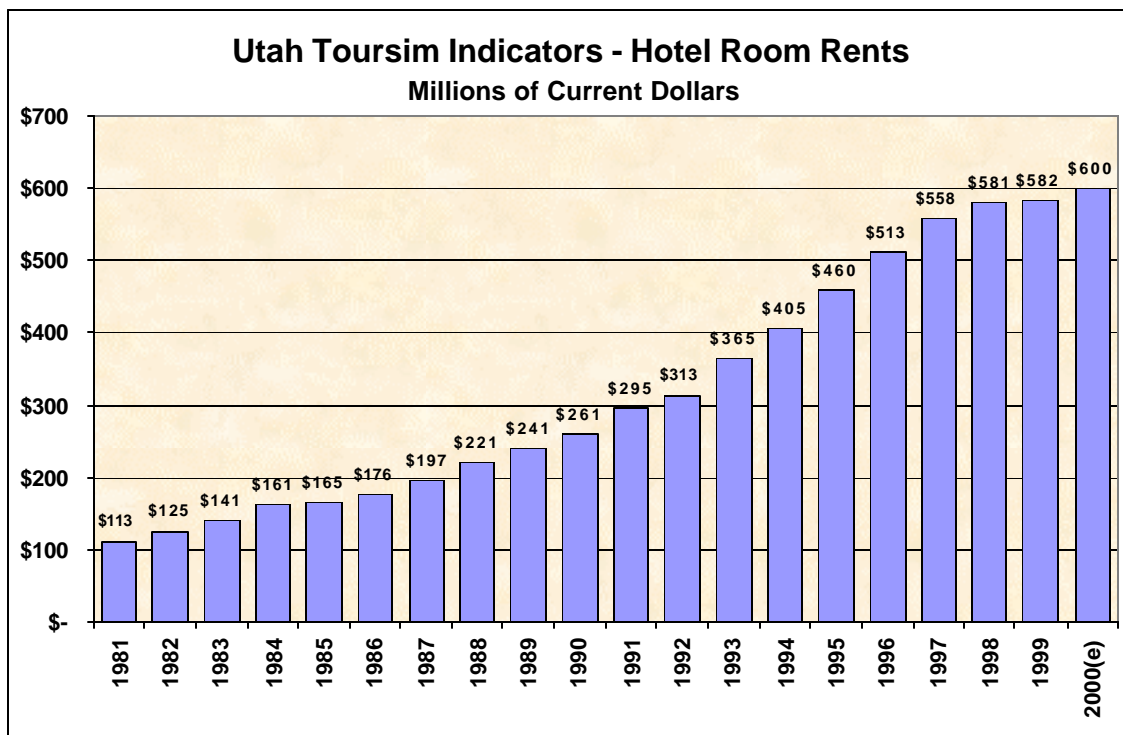
2002 Winter Olympic Games. The approach of the 2002 Winter Olympic Games represents a unique, once-in-a-lifetime opportunity for Utah. With national and international attention focused on the state, favorable impressions and images generated from Olympic-related exposure should translate into increased traveler spending and greater tax relief for Utah residents. Current estimates indicate that the total economic impacts of the Olympics from 1996 through 2002 will be \$4.5 billion in total output, 35,000 job years of employment, \$1.5 billion in earnings to Utah workers and a net revenue to state and local government of \$76 million. The Games will increase Utah's population by nearly 17,000 in 2001 and bring a net increase of 50,000 visitors per day to the state during the 17-day period of the Games.* Notwithstanding the significant benefits accrued through 2002, even greater benefits resulting from hosting the Olympics are possible following the event. Opportunities for increased business and tourism development as well as the lasting impacts of infrastructure improvements and Olympic facilities will impact the state for many years to come.

Documented research of past Olympic host cities has revealed that during the Olympic year, notable tourism displacement can occur. In Calgary, overall skier days declined in 1988, the year of the Olympics, despite the attention from the Games. In Atlanta, hotel occupancy rates and convention activity declined in the year of the Games. In both host cities, these declines lasted only

Category	1994	1995	1996	1997	1998	1999(r)	2000(e)	% Change 1999-2000	AAPC 1994-2000
Total Spending by Travelers and Tourists (millions)	\$3,350	\$3,550	\$3,800	\$4,000	\$4,100	\$4,200	\$4,250	1.2%	4.0%
Total Number of Foreign and Domestic Visits (millions)	15.2	16.1	17.0	17.4	17.8	18.2	17.8	-2.2%	2.7%
Number of U.S. Visits	14.5	15.3	16.1	16.7	17.2	17.5	17.1	-2.6%	2.8%
Number of Foreign Visits	0.72	0.76	0.88	0.72	0.64	0.70	0.75	7.1%	0.7%
Total Travel and Recreation-Related Employment	96,000	100,000	107,000	112,500	117,000	119,500	121,500	1.7%	4.0%
Direct Travel and Recreation-Related Employment	54,000	56,000	60,000	63,000	65,500	67,000	68,000	1.5%	3.9%
Indirect Travel and Recreation-Related Employment	42,000	44,000	47,000	49,500	51,500	52,500	53,500	1.9%	4.1%
Percent of All Utah Non-Agricultural Jobs	11.1%	11.0%	11.2%	11.2%	11.4%	11.4%	11.3%		
Total State and Local Taxes Generated by Travel Spending (millions)	\$268	\$284	\$304	\$320	\$328	\$336	\$340	1.2%	4.0%
State Government Portion	\$198	\$210	\$225	\$237	\$243	\$249	\$252	1.2%	4.1%
Local Government Portion	\$70	\$74	\$79	\$83	\$85	\$87	\$88	1.1%	4.0%
Total Airline Passengers at Salt Lake International Airport (millions)	17.6	18.5	21.1	21.1	20.3	19.9	19.9	0.0%	2.1%
Total Traffic Count at Interstate Borders (millions)	16.6	17.3	18.0	18.7	19.6	20.7	21.3	2.9%	4.2%
Total National Park Recreation Visits (millions)	5.1	5.4	5.7	5.5	5.5	5.5	5.4	-1.8%	1.0%
Total Skier Visits (millions)	2.8	3.1	2.9	3.0	3.1	3.1	3.0	-3.2%	1.2%
Total State Park Visits (millions)	7.0	7.1	7.5	7.2	6.9	6.8	6.6	-2.0%	-0.8%
Taxable Room Rents (millions)	\$405	\$460	\$513	\$558	\$581	\$582	\$600	3.1%	6.8%
Hotel/Motel Occupancy Rates	73.7%	73.5%	73.1%	68.0%	63.0%	61.5%	60.5%	-1.0%	-2.2%
(e) = estimate (r) = revised									
SOURCE: Estimates based on information gathered from a variety of sources including National Park Service, Utah State Tax Commission, Utah Department of Transportation, Utah Department of Workforce Services, Utah Department of Natural Resources, Salt Lake International Airport, U.S. Department of Commerce (Tourism Industries), Ski Utah and the Rocky Mountain Lodging Report.									



Source: Utah Department of Workforce Services, adapted by the Utah Travel Council



Source: Utah State Tax Commission



(e) = estimate
(r) = revised

SOURCE: Estimates based on information gathered from a variety of sources including National Park Service, Utah State Tax Commission, Utah Department of Transportation, Utah Department of Workforce Services, Utah Department of Natural Resources, Salt Lake International Airport and Ski Utah.

Utah Tourism Indicators: 1981 to 2000

	Hotel			Salt Lake			
	Room Rents	National Park	State Park	Int'l. Airport		Travel-Related	Traveler
Year	(Current \$)	Visits	Visits	Passengers	Skier Visits	Employment	Spending
1981	\$113,273,174	2,577,112	6,430,174	4,149,316	1,726,000	50,000	\$1,100,000,000
1982	124,787,207	2,443,787	6,436,488	5,861,477	2,038,544	52,000	1,400,000,000
1983	140,728,877	2,465,294	5,214,498	7,059,964	2,317,255	54,000	1,600,000,000
1984	161,217,797	2,616,301	4,400,103	7,514,113	2,369,901	58,000	1,850,000,000
1985	165,280,248	2,804,693	4,846,637	8,984,780	2,436,544	60,700	2,000,000,000
1986	175,807,344	3,224,694	5,387,791	9,990,986	2,491,191	62,500	2,150,000,000
1987	196,960,612	3,566,069	5,489,539	10,163,883	2,440,668	64,500	2,300,000,000
1988	220,687,694	3,941,791	5,072,123	10,408,233	2,368,985	67,000	2,450,000,000
1989	240,959,095	4,135,399	4,917,615	11,898,847	2,572,154	71,000	2,570,000,000
1990	261,017,079	4,425,086	5,033,776	11,982,276	2,500,134	79,000	2,660,000,000
1991	295,490,324	4,829,317	5,425,129	12,477,926	2,751,551	82,000	2,900,000,000
1992	312,895,967	5,280,100	5,908,000	13,870,609	2,560,805	86,000	3,050,000,000
1993	364,632,516	5,338,707	6,950,063	15,894,404	2,850,000	91,000	3,250,000,000
1994	405,342,342	5,111,400	6,953,400	17,564,149	2,800,000	96,000	3,350,000,000
1995	460,213,064	5,381,717	7,070,702	18,460,000	3,113,800	100,000	3,550,000,000
1996	513,080,390	5,749,110	7,478,764	21,088,482	2,954,690	107,000	3,800,000,000
1997	558,204,110	5,537,260	7,184,639	21,068,314	3,042,767	112,500	4,000,000,000
1998	580,782,660	5,466,090	6,943,780	20,297,371	3,101,735	117,000	4,100,000,000
1999(r)	582,102,275	5,527,478	6,768,016	19,944,556	3,144,380	119,500	4,200,000,000
2000(e)	599,565,343	5,375,407	6,632,656	19,904,667	2,976,696	121,500	4,250,000,000
Percent Change							
1981-2000	429.3%	108.6%	3.1%	379.7%	72.5%	143.0%	286.4%
1999-2000	3.0%	-2.8%	-2.0%	-0.2%	-5.3%	1.7%	1.2%
Average Annual Rate of Change							
1981-2000	9.2%	3.9%	0.2%	8.6%	2.9%	4.8%	7.4%
(e) = estimate							
(r) = revised							
SOURCE: Estimates based on information gathered from a variety of sources including National Park Service, Utah State Tax Commission, Utah Department of Transportation, Utah Department of Workforce Services, Utah Department of Natural Resources, Salt Lake International Airport and Ski Utah.							